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Business

Petrobras Rig-Builder Said Close to Receiving Delayed BNDES Loan

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Brazil's BNDES development bank is expected to authorize as soon as next week the first disbursement of a 10 billion-real (\$3.8 billion) loan to Sete Brasil Participacoes SA, ending a two-year delay that threatened to send the oil-rig supplier into default, two people with direct knowledge of the matter said.

The BNDES probably will sign the contract to disburse the first tranche of 3.5 billion reais, with Sete Brasil receiving the cash in one or two months, the people said, asking not to be named because the discussions are private. BNDES postponed first the approval and then the disbursement several times since late 2012 because of a lack of guarantees, as well as setbacks on international financing and on Sete Brasil contracts with rig operators, the people said.

Sete Brasil is counting on the BNDES funding to avoid a technical default that could accelerate payments on the company's debt, the people said. Sete Brasil had 13 billion reais of debt as of

September, including 10.7 billion reais of loans that mature through April, financial statements show.

Sete Brasil -- which counts Petroleo Brasileiro SA, Grupo BTG Pactual, Banco Itau BBA SA and Banco Bradesco SA among its shareholders and creditors -- is already late in paying shipyards it contracted to build oil rigs, according to naval construction industry association, known as Sinaval.

“There are thousands of jobs at risk” because of payment delays, association President Ariovaldo Rocha said in an e-mailed response to questions.

Bridge Loan

Once disbursement of the BNDES loan is approved, state-run Banco do Brasil SA is expected to approve a bridge loan of about 800 million reais to help the Rio de Janeiro-based company with immediate cash-flow needs, three people said.

Sete Brasil's press office declined to comment on the BNDES loan talks and reports of late payments to shipyards. The company said it would prepare a written statement. Banco do Brasil and BNDES declined to comment.

The BNDES funding delay had become a major concern to the government and the central bank, which intervened in the discussions to help speed up the process to approve the disbursement, three people said. In addition to Petrobras and Brazilian banks, pension funds also hold stakes in Sete Brasil.

Sete Brasil said on its website it planned to spend about \$25.7 billion by 2020 to build deep-water drilling platforms that will be leased to Petrobras in so-called pre-salt fields off Brazil's southern coast. The reservoirs are under about 6,500 feet of water and beneath 16,400 feet of sub-sea bedrock, sand and salt.

‘No-Corruption Clause’

BNDES insisted that a “no-corruption clause” be included in the loan contracts before agreeing to release the money, two people said, adding that the loan could be recalled early or canceled if any irregularities are found.

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Sete Brasil said in an e-mailed message to Bloomberg on Dec. 1 that it opened an internal investigation on contracts with Petrobras. The announcement came after a former director confessed he took bribes while working previously as an executive at Petrobras. Petrobras is embroiled in a corruption scandal in which builders and contractors are accused of paying kickbacks in exchange for deals with the state-run oil producer. Sete Brasil has not been named in the investigation led by federal police in Curitiba, Brazil.

BTG Stake

Of a 2.6 billion-real private equity fund that holds 27 percent of Sete Brasil and is managed by BTG, less than 1 billion reais is the bank's own capital, one of the people said.

Filings show Brasilia-based Banco do Brasil and Itau BBA had combined loans outstanding to Sete Brasil of about 3 billion reais as of September 2014. Bradesco, Banco Santander SA and Banco do Brasil participated in another loan that totaled 4.2 billion reais as of September. Banco Bradesco BBI and four foreign banks also made a 2.7 billion-real loan to the company.

BTG, Bradesco, Santander and Itau declined to comment, as did the central bank. The press office at Brazil's presidential palace didn't respond to requests by telephone and e-mail seeking comment.

(Updates to add shipbuilding industry comment in fifth paragraph.)